



**Presentation to the
Acquisition Advisory Panel
April 19, 2005**

**Reform Opportunities in
Commercial Practices and
Interagency Contracting**

Introduction

- GAO and its perspective on acquisition.
- Focus today on GAO work addressing two of the panel's areas that promise opportunity for significant financial and performance improvements:
 - Commercial best practices
 - Interagency contracting
- Provide opportunity to address questions on GAO's performance-based services acquisition and workforce related work.

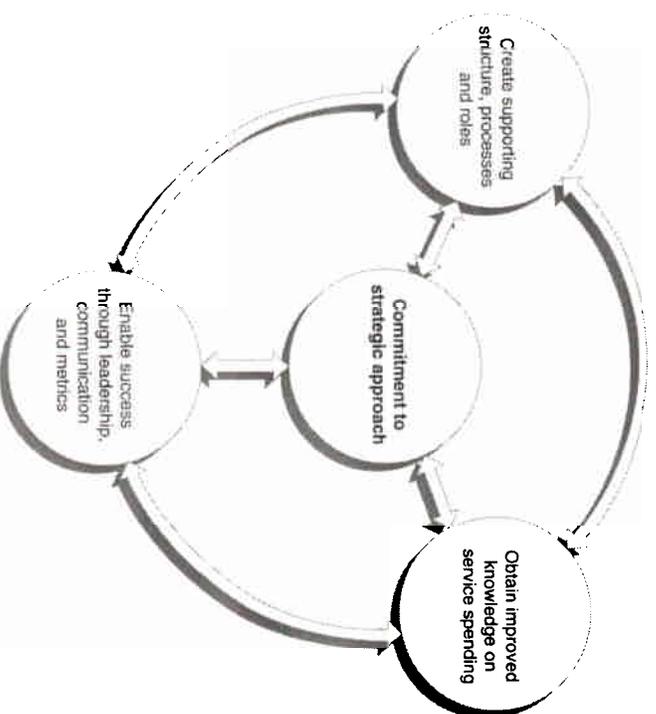
GAO and Its Perspective on Acquisition

- The investigative arm of Congress, GAO issued over 400 written products (excluding testimonies) in fiscal year 2004.
- Our work makes a difference: in fiscal year 2004, \$44 billion in financial benefits and over 2,700 new recommendations.
- Guiding principles of acquisition:
 - Competition
 - Transparency
 - Accountability

Services Acquisition in Context

- Decline in discretionary spending = loss of budget flexibility.
 - Workload pressures on federal acquisition workforce:
 - Number of complex and large-dollar contracts is growing
 - Change in size and composition of workforce
 - Traditional federal purchasing uses tactical, fragmented approach; little visibility or control at department level.
 - Federal agencies are not fully leveraging buying power
 - Combining spend volume for services and changing business practices leads to lower costs
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Best Practices Methodology – Identify Leading Commercial Practices



- Procurement trends and challenges were similar
- Fragm ented buying
 - Lack of reliable data
 - Leavi ng money on the table

Leading Companies Take a Strategic Approach to Acquiring Services

- **Commitment**... *Secure up-front commitment from top leaders.*
- **Knowledge**... *Obtain improved knowledge on procurement spending.*
- **Change**... *Create supporting structure, processes, and roles.*
- **Support**... *Enable success through sustained leadership, communication, and metrics.*

GAO Commercial Best Practices Work Emphasizes Need for Strategic Approach

- DOD management of services acquisitions
- DOD procurement of commercial satellite services
- Leveraging of agencies' purchase card buying
- Expanding civilian agencies use of spend analysis for strategic procurement
- Department of Homeland Security sustainment of strategic sourcing program
- Postal Service supply management initiatives
- Greater GSA role in helping customers adopt strategic buying

Interagency Contracting – Why on GAO’s 2005 High Risk List

- Significant reliance on interagency contracts: GSA schedules grew to \$32 billion in 2004. Treasury and NIH also sponsor contracts.
- For a fee, provides agencies benefits, such as:
 - Efficiency and timeliness through easy access to goods and services
 - Help manage acquisition workload and customer demands
- Designated as a new high-risk area because:
 - Challenges associated with contract management
 - Need to effectively implement new measures to bolster oversight and control to realize the value of interagency contracts

Management Challenges Contributing to Interagency Contracting Risk

- GAO and IGs continue to identify examples of improper use, including:
 - Out-of-scope purchases
 - Avoiding competition procedures
 - Improper use linked to fee-for-service incentive to increase sales, increasing demands on the acquisition workforce, insufficient training, inadequate guidance
 - Lack of accountability and shared responsibility for critical management functions in interagency contracting
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Better Management and Oversight to Reduce Interagency Contracting Risk

- Develop specific and targeted management approaches to address contracting risks.
- Managing interagency contracts must be viewed as a shared responsibility between business centers/ordering agencies, requiring agencies, and contractors.
- Agencies need to implement policies and internal control processes that ensure compliance with competition, accountability, and transparency requirements while achieving customer service and sales goals.

Wrap-up

- The Acquisition Advisory Panel can gain insights from private sector on ways to make acquisitions more efficient and effective—pay-off could be huge in terms of dollar savings and performance and mission improvements.
 - Expanded use and dollars spent through streamlined acquisition processes and interagency contracting demand strong oversight and accountability for sustained improvement.
 - We welcome questions on these matters and our performance-based and acquisition workforce related work.
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Commercial Practices

- **Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization** (GAO-05-179), Mar. 29, 2005 (available Apr. 28, 2005).
 - **Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement** (GAO-04-870), Sept. 16, 2004
 - **Postal Service: Progress in Implementing Supply Chain Management Initiatives** (GAO-04-540), May 17, 2004
 - **Contract Management: Agencies Can Achieve Significant Savings on Purchase Card Buys** (GAO-04-430), Mar. 12, 2004
 - **Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth** (GAO-04-206), Dec. 10, 2003
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Commercial Practices

- **Contract Management: Restructuring GSA's Federal Supply Service and Federal Technology Service** (GAO-04-132T), Oct. 2, 2003
- **Contract Management: High-Level Attention Needed to Transform DOD Services Acquisition** (GAO-03-935), Sept. 10, 2003
- **Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings** (GAO-03-661), June 9, 2003
- **Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services** (GAO-02-230), Jan. 16, 2002

Interagency Contracting

- **Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts** (GAO-05-274), Mar. 17, 2005
 - **Contract Management: Opportunities to Improve Pricing of GSA Multiple Award Schedules Contracts** (GAO-05-229), Feb. 11, 2005
 - **High-Risk Series: An Update** (GAO-05-207), Jan. 2005
 - **Contract Management: Guidance Needed to Promote Competition for Defense Task Orders** (GAO-04-874), July 30, 2004
 - **Contract Management: Civilian Agency Compliance with Revised Task and Delivery Order Regulations** (GAO-03-983), Aug. 29, 2003
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Interagency Contracting

- **Contract Management: Interagency Contract Program Fees Need More Oversight** (GAO-02-734), July 25, 2002
 - **Contract Management: Not Following Procedures Undermines Best Pricing Under GSA's Schedule** (GAO-01-125), Nov. 28, 2000
 - **Contract Management: Few Competing Proposals for Large DOD Information Technology Orders** (GAO/NSIAD-00-56), Mar. 20, 2000
 - **Acquisition Reform: Multiple-award Contracting at Six Federal Organizations** (GAO/NSIAD-98-215), Sept. 30, 1998
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Acquisition Workforce

- **Federal Procurement: Spending and Workforce Trends** (GAO-03-443), Apr. 30, 2003
 - **Acquisition Management: Agencies Can Improve Training on New Initiatives** (GAO-03-281), Jan. 15, 2003
 - **Acquisition Workforce: Status of Agency Efforts to Address Future Needs** (GAO-03-55), Dec. 18, 2002
 - **Acquisition Workforce: Agencies Need to Better Define and Track the Training of Their Employees** (GAO-02-737), July 29, 2002
 - **Acquisition Workforce: Department of Defense's Plans to Address Workforce Size and Structure Challenges** (GAO-02-630), Apr. 30, 2002
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Performance-Based Contracting

- **Contract Management: Guidance Needed for Using Performance-Based Service Contracting** (GAO-02-1049), Sept. 23, 2002



GAO Acquisition and Sourcing Management

Contacts

Bill Woods, Director

(202) 512-4841

woodsw@gao.gov

Dave Cooper, Director

(617) 788-0555

cooperd@gao.gov